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MICC Investments winds down business

CANADIAN PRESS

TORONTO – Mortgage Insurance Co. of Canada, the country's leading private-sector insurer of home mortgages, will wind down its business after a fruitless year-long search for capital.

The company's parent announced yesterday that it has agreed to sell some of its non-financial assets related to the mortgage-insurance business to General Electric Capital Canada Inc., the financial-services arm of General Electric Co. of Fairfield, Conn.

Under the agreement, GE Capital will buy the computer systems from MICC Investments Ltd., the mortgage company's parent, that will allow it to set up a new residential-insurance operation. GE Capital plans to set up a new Canadian company and offer jobs to some of Mortgage Insurance's employees.

GE Capital is paying $12 million, but the price could go as high as $19 million, depending on the performance of the new operation.

GE Capital did not buy Mortgage Insurance's existing mortgage portfolio. As a result, the country's only competitor to crown-owned Canada Mortgage and Housing Corp. will be left to wind down its existing portfolio, MICC Investments said in a statement.

As an insurer of home mortgages for such lenders as banks, trust companies and pension funds, Mortgage Insurance wrote an estimated one-quarter of the insurance on residential mortgages in Canada. But federal bank and trust regulators forced it last May to stop insuring new mortgages because it didn't have enough capital to support the business.

In 1993, it had losses of $50 million and a capital shortfall of close to $125 million. MICC Investment's commercial real-estate business is not part of the deal.

Asked if GE Capital was unwilling to assume Mortgage Insurance's existing mortgage portfolio, David Rattee, chief executive of MICC Investments, said: "It was more a question of their reluctance to get involved in the commercial real-estate business. It proved too difficult to effectively split the company."

Mortgage Insurance and its parent, MICC Investments, were at one time controlled by Central Capital Corp. Royal Bank of Canada and another 38 banks assumed control of most of Central Capital's assets in 1992 after steep losses left it without enough cash to pay down its massive debts. The banks control MICC Investments through Canadian Insurance Group Ltd.

MICC Investments said that the deal with GE Capital is scheduled to close Aug. 1. It is subject to several conditions, including approval from the federal Office of the Superintendent of Financial Institutions.

Think tank turns focus on trade blocs

FRANÇOIS SHALOM
THE GAZETTE

International trade organizations are all in favor of freer trade, but have yet to formulate their policies regarding the regional blocs forming around the globe, said Jean-Charles Rouher yesterday.

Based in Paris, Rouher is the secretary-general of the International Chamber of Commerce and was the chief adviser on international affairs to former French prime minister Raymond Barre.

The Canadian Council for International Business is the representative in Canada of the 75-year-old Paris-based lobby group, which has members in 132 countries.

The ICC's goal is to promote the business community's agenda, including international laws on trade, investment and taxation, said Rouher in a luncheon speech.

"But we want a return on our members' investments, we're not just a theoretical think tank," Rouher said.

The main commercial trading blocs like the European Union and the North American Free Trade Agreement are "formidable tools to further economic growth," Rouher said.

But the "tragic and difficult relation between growth and employment" must be addressed and solved to sustain that growth.

The problem will only get worse with the emergence of other commercial trading coalitions in southeast Asia and with Chile and Venezuela in line to join NAFTA.

Countries like Spain and France, where unemployment rates are 20 per cent and 12 per cent respectively, he said, "must solve this question before marching toward full economic development."

With the discrediting in many countries of basic institutions like the army, the church and government itself, business keeps moving to the fore of society and must assume more responsibility, he added, including solving its own moral and ethical questions.

Expense figures can help traveller fine-tune budget

JEFF HEINRICH
BUSINESS TRAVEL

Have you ever wondered, when you're away on business, where you can buy the cheapest tube of toothpaste?

Or do you know for sure that a new suit really does costs less in Asia? Or, for that matter, in which country you can pick up an international daily newspaper for less than $1?

Getting the lowdown on every detail of your overseas expenses beforehand is essential if you travel overseas a lot and need to fine-tune your budget.

To help you do that, there is a firm in London, England, that routinely issues international price surveys for everything from hotel rooms to a cup of coffee.

The company is called Employment Conditions Abroad (ECA) Ltd. It functions mainly as an information service for companies that send employees overseas or employ local people in foreign countries.

The firm is owned by multinationals and is a nonprofit organization.

Twice a year, in September and March, the people at ECA compile price data from a shopping basket of more than 100 items, including such items as a leg of lamb, a can of tennis balls, compact discs and a drink in a bar. The surveys cover about 160 countries around the world. The results are issued in November and May.

You can reach ECA in London by dialing 011-44-71-351-7151, or write them at Anchor House, 15 Britten St., London SW3 3TY. Here's a sample of what you might want to know before you go (prices are in U.S. dollars):

■ Man's business suit: Most expensive – Japan ($865); Ivory Coast ($853); Kuwait ($700). Cheapest – Ghana ($66); Nigeria ($74); Bangladesh ($108). Canada ($400) ranks 9th most expensive among the 12 major destinations surveyed.

■ Tube of toothpaste: Dearest – Cameroon ($6.05); China ($5.39); Tanzania ($5.16). Cheapest – South Africa ($1.02); Thailand ($1.12); Qatar ($1.14). Canada ($1.59) ranks 10th among the majors.

■ International daily newspaper: Dearest – Fiji ($5.13); Japan ($3.97); Bermuda ($3.95). Cheapest – U.S. (68 cents); India (90 cents); Bangladesh ($1.13). Canada (1.39) ranks 10th among the majors.

By the way, the top 10 most expensive cities for a business traveller these days are as follows (according to the British-owned monthly magazine Business Traveller International, published in New York):

Tokyo tops the heap at $525 U.S. per day. Singapore is 10th ($368). In between, from most expensive downward, are: Paris, London, New York, Buenos Aires, Hong Kong, Athens, Caracas and Tel Aviv. One consolation, all are less expensive than they were this time last year, especially in Europe, thanks to a strong U.S. dollar and weak local currencies.

Montreal, by the way, ranks 58th, way down in the pack of 75. A day here costs $238, according to the magazine – $30 cheaper than Toronto, ranked 39th.

While we're on the subject of prices, here's a trivia test for you. What national currency will buy you the least slice of a Canadian dollar in exchange? In other words, which currency will clog up your purse or pants pockets the most? Never mind the immeasurable hyperinflation currencies like the new dinar of ex-Yugoslavia.

Give up? It's the Turkish lira. Yesterday, one of those exchanged at consumer prices for a meager $0.000062. A close second was the Polish zloty ($0.0000642). Next comes the the Indonesian rupiah ($0.000675), the Russian ruble ($0.000807), the Lebanese pound ($0.000835), the Romanian leu ($0.000860) and the Italian lira ($0.000878). Others, with only two zeros after the decimal point, include the South Korean won, the Portuguese escudo, the Colombian peso, the Brazilian cruzeiro, the Tanzanian shilling and the Greek drachma.

And the currency with the highest unit value? Surprise – it's the Iraqi dinar. One of those will cost you $4.53. Only the Bahrain dinar ($3.70) and a string of pounds ($2.69 for the Cypriot, $2.08 for the British and $2.02 for the Irish) come close to being as dear.

Specialists leery of Jitec's virus-proof computer claim

Company to buy plant in St. Hubert

Benoit Laliberté, president of Jitec Corp., unveils computer he says is virus-proof.

CP GAZETTE

A fledgling Montreal-area computer maker has thrown out the ultimate challenge to hackers: It claims to have invented a virus-immune computer.

The Vectoria computer has anti-virus safeguards built directly into its hardware, said Benoit Laliberté, 21-year-old president of Jitec Corp.

But his claim that Jitec's approach is outright "infallible" against any computer virus quickly raised the eyebrows of computer specialists on both side of the border.

Michel Kabay, director of education for the National Computer Security Association based in Carlisle, Pa., said he is not aware of any other computer makers who claim their equipment is invulnerable to any virus.

"In theory," he said, "it's impossible to be completely virus-proof. In practice you can be pretty good.

"Saying that a system is absolutely immunized against virus is a risky statement."

Cairn MacGregor, a Montreal writer who specializes in computer hardware and software, was also very leery.

"The attempt is noble, but the concept is basically flawed," he said.

"The only way to eliminate viruses from computers is to build computers without disk drives" or modems, he added.

"If you have any read-write mechanism within a computer, anywhere recording information, you can build a virus," he added. MacGregor writes a weekly column on computing for *The Gazette*.

Savvy computer users defend themselves against computer viruses with any one of a number of excellent anti-viral software programs in general use.

Like many software virus-fighters, the hardware-based approach propounded by Laliberté prowls for unusual or unexpected activity within the computer.

Laliberté insisted that the Vectoria "is infallible, no virus can enter."

He founded Jitec in 1986, as a teenage computer buff.

The Vectoria computer is IBM compatible. It has two models that sell for between $1,300 and $4,000, in the same price and power range as Compaq and Dell equipment.

Jitec said it is buying a factory in suburban St. Hubert to produce this unusual breed. It is advertising for 20 new employees, and Laliberté said he expects to hire 100 more in the coming year.

Jitec currently assembles 75 to 100 computers a week and sells them through its three Montreal-area computer stores.

The new Vectoria will also be sold through other retail outlets. Safety Network Inc. of Toronto, which supplies computer distributors, intends to market Vectoria west of Quebec.

Vectoria computers operate with the Intel Corp. 486 microprocessor, with MS-DOS and MS-Windows operating platforms.

CP GAZETTE

Teamster strike in U.S. leads to layoffs

HEATHER SCOFFIELD
CANADIAN PRESS

TORONTO – Transport companies started laying off dozens of truckers yesterday as they felt the effects of the Teamsters union strike in the United States.

Roadway Express and Yellow Freight Systems began layoffs when their trucks couldn't pick up freight from American truck terminals closed by the strike, said Charles Thibeault, chairman for the Teamsters in Ontario.

Up to 30 people lost their jobs at Yellow Freight, said company spokesman Rick Roberts, who expected the number to rise to 250 next week. At least 20 truckers working for various firms in eastern Ontario were also out of work.

"There will be gradually more and more layoffs every day" unless the strike is settled, said Thibeault, who predicted the number could hit 1,200 by early next week.

About 75,000 American teamsters set up picket lines at U.S. truck terminals early Wednesday because 22 trucking companies are planning to give more work to low-paid, part-time workers and use more trains.

TNT Canada jobs could be affected

TNT Canada Inc., a large trucking firm that delivers American goods to auto manufacturers and other major companies in Ontario and Quebec, may have to order layoffs next week, said chief executive officer John Stollery.

The company employs about 2,000 people in Canada.

"At this point in time, we're struggling along. But if it continues, it will get worse," he said.

Orders for Canadian manufacturers are being met, but Stollery predicted delays and problems if the strike drags on.

Food shortages aren't expected

Drivers are picking up freight from independent terminals that aren't being picketed in the United States and doing more domestic work as American supplies dry up, Stollery said.

Canadian firms will probably cut back production if they can't get supplies, he warned.

"In all likelihood, we'll see some manufacturing companies shut down."

Spokesmen from Chrysler, Ford and General Motors plants in Canada all said production was on schedule and they did not anticipate supply shortages before the weekend.

The Navistar truck assembly plant in Chatham, Ont., was operating as usual since the company asked suppliers to switch to non-union truckers, a spokesman said from the company's Chicago head office.

Thibeault said he expected trouble for the Big Three auto manufacturers, however. Thirty to 40 per cent of freight that crosses the border is destined for their businesses.

Most food suppliers use independent truckers so shortages aren't expected.

Economy is in good shape, Royal Bank report indicates

ERIC BEAUCHESNE
SOUTHAM NEWS

OTTAWA – Canada will tie the U.S. in leading other major industrial countries in economic growth this year and then will pull ahead next year, the country's largest bank forecast yesterday.

However, the Royal Bank of Canada's rosy prediction in its annual economic outlook assumes that concerns about the country's debt and political problems will ease.

That's clearly a risky assumption.

The recent rise in interest rates will itself add to the deficits of all governments.

Further, polls suggest the Parti Québécois has a better-than-even chance of winning election this year, which would focus market concerns on its promised referendum on Quebec independence.

Without the easing of financial and political concerns "growth could be substantially less in each year," the Royal warned.

But Edward Neufeld, the bank's chief economist, said he's confident the federal government will reach its deficit-reduction targets.

"The point is . . . that still leaves the deficit figure too high," Neufeld said, suggesting additional deficit-reduction measures are needed in the next federal budget.

Nor does the bank's optimism about the economy extend to those without jobs. It predicted the unemployment rate will remain above 10 per cent until late 1995.

However, growth this year will accelerate to 3.5 per cent from 2.4 per cent last year and then rise to 4.3 per cent in 1995, it said.

Growth should be fairly evenly balanced among the provinces, though it will be somewhat stronger in Quebec, Ontario and British Columbia and a bit weaker in the resource-based economies of Atlantic Canada and Saskatchewan.

The bank's growth projections are more bullish than those in February's federal budget of 3 per cent this year and 3.8 per cent next year.

However, Prime Minister Jean Chrétien this week said the government has become more upbeat about growth prospects since the budget, despite the recent turmoil in financial markets.

There is a suspicion among some analysts, such as Wood Gundy economist Patti Croft, that Ottawa "lowballed" the budget's growth forecasts to give the government some cushion against unexpected setbacks, like the rise in interest rates.

Wood Gundy is predicting relatively robust growth of 4 per cent this year, which it is also sticking with despite the round of rate hikes, which it argues will be offset by the economic stimulus of the lower dollar.

The Royal Bank said its optimism stems from the increased competitiveness of Canadian companies resulting from low wage increases and rising productivity, which along with the low dollar, have almost wiped out the cost gap that existed in the 1980s between Canadian and lower-cost U.S. manufacturers.

Power Financial reports higher profit

Power Financial Corporation, the investment and insurance subsidiary of Power Corp., reported yesterday that it made a net profit of $200.5 million in 1993.

That's up from profit of $184.8 million in 1992.

The improvement resulted mainly from increased earnings by Power Financial's two key divisions, Great-West Lifeco and Investors Group.

Insurance division Great-West Lifeco, with headquarters in Winnipeg, had a profit of $173.3 million last year – vs. a profit of $89.8 million in 1992.

Investors Group, also based in Winnipeg, had net earnings of $70.3 million last year compared with earnings of $58.3 million in 1992.

In Power Financial's fourth quarter of 1993, the profit was $57.9 million against a profit of $21.1 million in the last quarter of 1992.

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